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SUBJECT: CZECH REPUBLIC: TOPOLANEK GETS A QUALIFIED OK FOR
TALKS WITH PAROUBEK ON MULTI-PARTY COALITION

REF: PRAGUE 1032

11. (SBU)SUMMARY. The Civic Democrats (ODS) held their annual party Congress November 17-18, and gave Party Chair Mirek Topolanek the support he was looking for to begin negotiations with the party's main rival, the left-of-center Social Democrats (CSSD), on a coalition that would also include one or two other small parties. His mandate is to either form a stable coalition that will win the backing of parliament and be able to pass many of the party's key reforms, or to push for early elections in 2007. In general, an ODS-led coalition would be a good thing for bilateral relations. Talks on the policies and personnel of this potential mutli-party coalition will take place over the coming days and weeks. The outcome is still unclear. END SUMMARY

2.(U) Topolanek, who ran unopposed for the position as Chairman, was re-elected with 330 of the 476 votes. The support, roughly 70%, is down from the 90% he received in 2004 and reflects the strength of opposition within ODS to any deal with CSSD. The congress passed resolutions saying ODS should not enter into an exclusive agreement with CSSD, meaning that a grand coalition or opposition agreement is unacceptable. The congress also passed a resolution saying Topolanek should not allow the emergence of a CSSD government that relies on the Communists (KSCM). By passing resolutions telling Topolanek what he must not do, the delegates have left him some space, albeit limited, for his talks with CSSD Chairman, Jiri Paroubek, and the smaller parties.

3.(U) Paroubek appeared on a Sunday talk show to repeat his position that CSSD is willing to join ODS in a coalition that he himself needn't be part of. He said he was ready to discuss a cut in corporate taxes, a key ODS platform. But Paroubek also categorically refused to accept the concept of a flat tax, or university tuition, two other ODS priorities. CSSD, which has been doing poorly in recent polls, is also strongly opposed to any elections before the middle of 2008. One thing Paroubek has going for him is the fear many ODS parliamentarians have that another failed vote of confidence would lead to the resignation of the Speaker of the House, constitutional uncertainty, a possible CSSD attempt at a government, or the loss of jobs if early elections were to be held in 2007.

4.(U) The ODS congress also elected one Principal Deputy Chair and four Deputy Chairs. Prague Mayor Pavel Bem easily won the party's number two spot, beating out the incumbent, Minister of Labor and Social Affairs, Petr Necas. Bem did so well in the October local elections that ODS can now rule Prague without the support of any other parties, a position

the party wishes it were in at the national level. Bem is considered a strong follower of President Klaus and a potential competitor for Topolanek's job. Necas, who had always been a loyal number two, was elected as the 4th Deputy Chair, a slight demotion. Petr Bendl and Ivan Langer were re-elected as Deputy Chairs. Former Deputy Miroslava Nemcova, whose speech at the congress was a well-received and impassioned plea to avoid any compromises that would hurt the party in the long-run, was replaced among the deputies by Petr Gandalovic, Minister for Regional Affairs and former Consul General at the Czech Mission in New York.

5.(U) If ODS and CSSD do come to an agreement, the two parties would have 155 of the 200 seats in parliament and would be in a position to easily pass legislation or changes to the constitution. If the Christian Democrats (KDU-CSL) join the coalition, which they have indicated they are willing to do, they would add 13 seats, a mathematically insignificant number. Critics of the potential arrangement between the big parties say an ODS/CSSD/KDU-CSL government is little more than a grand coalition with a false mustache. But KDU-CSL's inclusion would give the arrangement a multi-party veneer allowing Topolanek to claim that he is staying with the ODS congress mandate, and would also help prevent any constitutional changes that might strengthen the larger parties at the expense of the smaller. The Christian Democrats will hold an extraordinary Congress December 7 and will make their position clear at that time. In theory the Greens could also join the coalition, though party Chair Martin Bursik has expressed reservations.

6.(SBU) COMMENT. December 2 will mark six months since the stalemated June 2-3 elections. The Czech public is showing few signs that it demands an immediate solution to the problem. Topolanek and Paroubek will begin tough talks this

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week and could announce a new government in the weeks ahead. One unaffiliated cabinet minister, whom Ambassador Graber is scheduled to visit mid-December, told poloff November 17 that he thought the new government would be appointed before then. But Topolanek and Paroubek have been on the brink of a deal once before. The previous agreement, on a two-party coalition, broke down in August.(Reftel) If Topolanek and Paroubek are serious about an agreement, they will have many policy questions to debate, particularly on labor and social issues, though they have far fewer differences when it comes to foreign policy. In the days preceding the ODS congress, the Czech press ran unsourced stories saying former Speaker of Parliament Lubomir Zaoralek (CSSD) would replace Alexander Vondra as Foreign Minister in the proposed coalition. While Zaoralek would not be as friendly to the U.S. as Vondra, he has proven to be somebody the Embassy can work with. Vondra, who was elected to the Senate as an independent on the ODS ticket, but officially joined ODS earlier this month, is not out of the game yet. He was singled out for praise during Topolanek's weekend speech and was an active participant in the congress, unlike some of the other current non-party ministers. He continues to give every impression that he intends to stay in the job for some time.

GRABER